



FACTS ABOUT SCHOOL FUNDING KEY MESSAGES SUMMER 2004

Many of you are aware the state has faced serious budget challenges over the past five years. Over the last nine years, tax cuts and property tax replacement total more than \$5.4 billion.⁽¹⁾ State taxes as a percent of personal income is at its lowest level in 33 years.⁽²⁾ While the efforts to reduce spending must be applauded, at some point we have to recognize the reductions do in fact have an impact, and we must ask ourselves the essential question: What kind of quality of life, in terms of safety, education and other services, do we want in Iowa?

The quality of education is intrinsically tied to our quality of life and helps assure a vital economy. Good schools are necessary to attract businesses and prepare an educated workforce. Iowa schools have a long tradition of excellence that is firmly founded in "local control" and supported by adequate funding. But the serious economic struggles in recent years are threatening our quality schools. We have had significant spending reductions, minimal increases in state investment, and serious consequences that directly affect classroom instruction and student opportunities.

How School District Funding Works

- Basic state aid to public school districts will total \$2.026 billion in FY05.⁽³⁾
- State aid along with property taxes provides the basic revenue for school districts.
- Statewide, approximately 60 percent of local school districts' revenues are provided by state aid.
- State aid also provides property tax relief, equalizes taxes, and equalizes funds available to educate children.
- In FY05, school districts received 45.4 percent of the state's General Fund appropriations.⁽⁴⁾
- Forty-four percent of all property taxes paid go to school districts.⁽⁵⁾
- The percent of all property taxes paid that goes to school districts has **declined** from 47.8 to 44.0 percent over the last 20 years.⁽⁶⁾

The Current Status of School Funding

- Allowable growth, set yearly by the legislature, provides an increase in per pupil cost for school districts.
- Education costs such as salaries, health insurance, supplies, transportation, utilities, building operation and maintenance continue to grow regardless of the allowable growth rate set by the legislature.
- Many districts' basic funding increased **less than** the allowable growth rate or did not increase at all.
- Almost half (167) of all districts had a basic funding **decrease** between 2003-04 and 2004-05.⁽⁷⁾

- Many people think that a 2 percent increase in allowable growth means that school budgets grow by 2 percent. Two percent allowable growth rate per pupil for FY05 and 4 percent for FY06 **does not** translate into budgets growing by 2 and 4 percent:
 - The per pupil allowable growth rate for the 2004-05 year is 2 percent, however:
 - More than 60 percent (221) of districts have regular program budget growth of **less than** 1 percent between FY04 and FY05. ⁽⁸⁾
 - More than 75 percent will have **less than** 2 percent growth in regular program budget. ⁽⁹⁾
 - The allowable growth rate for the 2005-06 year is 4 percent, however:
 - More than one-third (127) will have a regular program **budget reduction** between FY05 and FY06. ⁽¹⁰⁾
 - More than three-fourths (282) will have **less than** 4 percent regular program budget growth between FY05 and FY06. ⁽¹¹⁾
- Iowa is not keeping pace with other states; expenditures per pupil are increasing at a **slower rate** than other states; the salaries of teachers are also increasing at a **slower rate**.
 - Average salary of Iowa teachers compared to other states: ⁽¹²⁾

2001-02	Ranked 34 th
2002-03	Ranked 34 th
2003-04	Ranked 37 th
 - Average expenditures per pupil: ⁽¹³⁾

2001-02	34 th
2002-03	36 th
- Limited funding increases have **not even provided** for program maintenance and we are seeing K, 1st and 2nd grade class sizes increasing; high school student-teacher ratios are also increasing. ⁽¹⁴⁾
- During 2003-04, school districts made **significant reductions** to educational programs that are impacting students today. ⁽¹⁵⁾
 - 73.3% reduced the number of teaching staff
 - 62.4% reduced or limited professional development activities
 - 59.3% increased average class size
 - 58.1% reduced the number of support staff
 - 33.5% reduced academic classes or course offerings

Student Needs are Dramatically Increasing

- Students enter kindergarten with a much broader range of needs and learning capabilities. ⁽¹⁶⁾
- Many more parents with young children are working, and our systems of early care and education **have not kept up** with these changing needs. ⁽¹⁷⁾
- Diversity needs of students are **not being met**. For example, the school finance formula underfunds programs for English Language Learners by 50 percent; the deficit in special education exceeds \$20 million per year. ⁽¹⁸⁾
- To survive and thrive today and into the future, more students must graduate from high school and be prepared to go to college or some kind of post high school training. ⁽¹⁹⁾
 - Iowans with a high school degree earn approximately 20 percent more than those without a high school degree (\$4,100 more per year). ⁽²⁰⁾
 - Iowans with a college degree earn approximately 40 percent more than those with a high school degree (\$10,000 more per year). ⁽²¹⁾

Iowa's Current Education System Does not have the Capacity to Meet Student Needs

- To provide these results for students, schools are expected to improve their quality and productivity and as such need to: ⁽²²⁾
 - Increase academic performance of students.
 - Close achievement gaps.
 - Increase the percent of students taking math, reading and science (core) coursework.
 - Expand college readiness.
 - Increase the percent of students graduating from high school.
- **The legislature eliminated \$23.8 million for professional development for teachers over the last three years, further reducing the capacity of the system to provide needed training for improved instruction.** ⁽²³⁾

Revenue is not Adequate to Meet Needs

- Revenues are not covering our expenses.
 - Tax cuts implemented over the last nine years resulted in over \$873 million less revenue in FY04 than would have been available had the tax cuts not been implemented. ⁽²⁴⁾
 - Cumulative general fund tax cuts since FY96 total over \$5.4 billion. ⁽²⁴⁾
 - Additional tax cuts are still being phased in: insurance premium taxes, estate taxes, and residential utility taxes, which will reduce state revenues by an additional \$70 million. ⁽²⁵⁾
- State general fund expenditures **declined** by \$396 million, **a roughly 8 percent reduction**, between FY01 and FY04. ⁽²⁶⁾
- FY06 expenses are projected to outpace revenue **by approximately \$500 million.** ⁽²⁷⁾
- The FY05 budget was balanced using one-time funds that **will not be available** in FY06.
- Future revenue growth is expected to be in the 3- to 4-percent range. ⁽²⁸⁾
- If 4 percent revenue growth occurs for FY06, that will only generate \$209 million new dollars, far **short** of the \$500 million needed. ⁽²⁹⁾
- It would take about a **10-percent increase in tax revenues** to balance even the currently projected FY06 expenditures. ⁽³⁰⁾

FACTS ON SCHOOL FUNDING SOURCES

1. Iowa Department of Management (DOM) – General Fund Tax Cuts FY 1996-2004.
2. DOM Chart – 5/17/02
3. Basic State Aid to School Districts (In millions) – FY05

State Foundation Aid	\$1,881.2
Instructional Support Levy	\$14.4
Teacher Quality	\$45.3
Ed Excellence	\$55.5
Class Size/School Improvement	\$29.3
4. General Fund appropriation was \$4,464.2 million in FY05; it was \$4,887.1 million in FY01. DOM data on file.
5. DOM data on file.
6. DOM data on file.
7. Iowa Department of Education budget data on file; 167 districts represents 45.1% of the 370 districts in the 03-04 school year.
8. Iowa Department of Education budget data on file; 221 districts represents 59.7% of the 370 districts in the 03-04 school year.
9. Iowa Department of Education budget data on file; 280 districts represents 75.7% of the 370 districts in the 03-04 school year.
10. Iowa Department of Education budget data on file; 127 districts represents 34.6% of the 370 districts in the 03-04 school year.
11. Iowa Department of Education budget data on file; 282 districts represents 76.2% of the 370 districts in the 03-04 school year.
12. National Education Association (NEA) Rankings Reports.
13. National Education Association (NEA) Rankings Reports.
14. DE Class Size Report 2003-04; Condition of Education (COE) 2003, page 93.
15. IASB/ISEA/SAI Joint Survey, Spring 2004
16. 1) Shonkoff, J.P. & Phillips, D.A., eds. *From Neurons to Neighborhoods: The Science of Early Childhood Development* (2000). Washington, D.C.: National Academy Press and 2) Lee, V.E. & Burkam, D.T. *Inequity at the Starting Gate: Social Background Differences in Achievement as Children Begin School* (2002). Washington, D.C.: Economic Policy Institute.
17. COE 2003, Page 27; Iowa has the highest percent of both parents in the labor force for children ages 6-17.

18. Iowa Department of Education budget data on file; analysis of School Budget Review Committee (SBRC) requests for modified allowable growth.
19. Washington Post, July 22, 2004, "Greenspan says workers' lack of skills lowers wages."
1. U.S. Census Bureau, Earnings by Occupation. Median income in 2000 for Iowans with a high school diploma: \$26,293 annually, about 80% of the overall median income.
21. Median income increased to \$36,337 (111% of the statewide median) with a bachelor's degree, and to \$46,958 (143.5% of the state median) with an advanced degree.
22. COE 2003; and State Report Card for NCLB.
 - Percent of students at or above proficient in reading in 4th: 75.9%; 8th 69.3%, 11th 77%; percent of students at or above proficient in math in 4th 75%, 8th 71.6%, and 11th 79.5%.
 - Achievement gaps outlined in Student Performance section of COE 2003.
 - Core coursework summarized on COE 2003, page 224. Currently 66% of high school students report they took core coursework.
 - Advanced Placement (AP) summary in COE 2003, page 236; 5,141 students participated in 2003.
 - ACT and SAT results in COE 2003, page 218; 66% of graduates took the ACT.
 - College intentions reported in COE 2003, page 244; 82.9% of seniors reported they intend to pursue college.
 - Graduation rate in COE 2003, page 257; 89.4% in 2002; 90.4% in 2003.
23. Iowa Department of Education budget data on file; \$23.8 million in FY02, \$10.2 million in FY03; with 33,688 FY04 teachers, that's about \$7090 per teacher.
24. DOM Summary FY96 – FY04.
25. DOM PowerPoint, slide titled "FY06 still tight budget."
26. Iowa Department of Education budget data on file; state general fund spending declined by \$396 million between FY01 (\$4,887,000,000) and FY04 (\$4,491,000,000).
27. DOM PowerPoint, slide titled "FY06 Additional Costs"

Allowable growth	\$ 93.3 million
Cash reserve for property tax credits	\$160.0 million
Trust fund for Medicaid	\$191.0 million
Endowment for Healthy Iowans	\$ 29.0 million
Medicaid growth	\$ 40.0 million
Fully fund property tax credits	\$ 18.0 million
Open Oakdale facility	\$ 11.0 million
Indigent defense/public defender	\$ 5.0 million
<u>Mental health allowable growth</u>	<u>\$ 5.0 million</u>
Total	over \$500.0 million
28. Model generated by the Institute for Economic Research – University of Iowa. Summer, 2004.
29. DOM data on file – Summer 2004.
30. DOM data on file – Summer 2004.